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Japan at Williamsburg: Political Issues

Prime Minister Yasuhiro Nakasone approached the Williamsburg summit as the leader of a major economic power with a significant political role in the Western alliance. He assured the heads of the other six leading industrial nations of his support for a unified position on economic and security issues and in his keynote speech endorsed earlier commitments he had made in Washington. Japan's trade problems with the United States or Europe were not mentioned; on the contrary, the joint communique declared a mutual determination to preserve free-trade principles. U.S. trade officials at the White House meeting prior to the summit praised Japan's continuing efforts to open its market.

White House Firms Up Trade Reorganization Plan

The White House last week announced its plan for creating a new Department of International Trade and Industry that would ostensibly provide a "leaner, more efficient and better coordinated approach to international trade." This announcement came after weeks of refining its initial trade reorganization plan, which was widely criticized on Capitol Hill and throughout the Washington trade community. Congressional staff maintain that chances for enactment of the new department are still dubious, due in part to the heavy trade legislative agenda. However, this latest alternative appears to have at least struck a more positive note with the U.S. Trade Representative's Office (USTR). USTR William Brock has officially supported the new plan, stating that what is now being proposed is a "very different department, a very new department," that retains all of the functions of the USTR as "a clear policy arm of the secretary in the secretary's office."

Since the president first officially advanced this plan for reorganizing the trade policy structure on April 25, USTR staff, through leaks to the press and off-the-record remarks, made no bones about the fact that they opposed this diminution of their role in trade policymaking. The Department of International Trade and Industry first envisaged by the White House would have merely folded USTR into a pared-down Commerce Department (see organizational scheme in JEI Report No. 20A, May 27, 1983). At that time, the administration was also vague concerning the status of the National Oceanic and Atmospheric Administration (NOAA), the Economic Development Administration (EDA), and the Minority Business Development Agency (MSBDA) — all currently under Commerce's aegis. Under the new plan -- worked out in consultation with Senator William Roth (R, Del.), the chief congressional proponent of consolidating the trade bureaucracy — USTR's leadership in policymaking would be retained. Trade specialists in the trade representative's office who develop and negotiate U.S. trade policy would be transfered to the Office of the Secretary of Trade, with line functions the responsibility of the International Trade Administration. NOAA would become an independent agency; the National Bureau of Standards would be folded into the National Science Foundation; the MSBDA would be transfered to the Small Business Administration; and the EDA would be moved to the Department of Housing and Urban Development. The Department of Commerce, per se, would be abolished. Only about 7,500 of its current 35,000 employees would move to the new Department of Trade.

This dramatically consolidated trade bureaucracy with USTR as the lead policy-making unit is evidently much closer to what Senator Roth envisages in his reorganization proposal, S. 121. Having previously criticized Commerce as a "grab-bag of unrelated functions" ill-suited to effectively developing and negotiating U.S. trade policy, the Delaware Republican maintained that this latest plan outlines a department that will be "able to work aggressively toward expanded trade opportunities for the United States." "With the creation of the Department of International Trade and Industry," he continued, "trade will no longer be the forgotten stepchild of our government." Senator Roth, the chairman of the Government Affairs Committee which has jurisdiction over bureaucratic reorganization, said his committee would resume consideration of the Department of Trade later this month.

Barbara Wanner

MITI Releases Plans for Depressed Industries

Under the new depressed industries law in Japan, a number of industries suffering from long-term declines in demand are to work out plans for reduction of productive capacity in conjunction with the relevant ministries (see JEI Report No. 19B, May 20, 1983). The Ministry of International Trade and Industry (MITI) has announced preliminary

plans for some industries that it has now submitted to its Industrial Structure Council. Included in this first set of plans are the following proposed reductions in capacity:

Ethylene	36 percent by the end of FY 1984
Low-Density Polyethylene	38 percent by the end of FY 1984
High-Density Polyetheylene	27 percent by the end of FY 1984
Polyvinyl Chloride Resin	24 percent by the end of FY 1985
Chemical Fertilizer	14 percent by June 1987
Fused Phosphate	32 percent by June 1987
Phosphoric Acid (wet process)	17 percent by June 1986
Urea	36 percent by June 1986
Ammonia	20 percent by June 1986

By law, this advisory council must review the plans and send its recommendations to MITI, which will then make a final decision. In practice, the plans submitted to the council often have tacit approval and are not altered.

As is evident from this list, there is a wide variance in both the capacity cuts and the length of time envisioned to carry them out. Under the first depressed industries law passed in 1978, the experience of those industries that pressed for relatively minor cuts or slow implementation was that market forces brought about a reduction in output and capacity much faster than the plans. This could well happen again, although the recent reduction in petroleum prices could improve the prospects for some of those industries dependent on petroleum feedstocks.

In addition to the capacity cutbacks, producers of polyethylene are to join into four groups for sales purposes; fused phosphate producers are to group together in a joint production and investment organization; while ammonia producers are to be encouraged to diversify into other products. If the past is any guide, these aspects of the plans are much more uncertain than the capacity cutbacks since firms are fiercely protective of their independent existence.

This is the first in the series of announcements that will continue throughout the summer and fall as other industries announce plans and final versions are approved. Because the cutback in capacity in domestic Japanese industries implies both a response to sagging domestic demand and a tilt to imports, the U.S. government continues to watch developments under this law very closely.

Edward Lincoln

Defense Department Pushing Supercomputer Project

The limited world market for supercomputers — extremently fast and powerful systems designed for scientific and engineering applications -- is currently dominated by two American companies, Cray Research Inc. and Control Data Corp. (CDC). Over the past year, however, Japan's three top computer makers have moved into this technically critical field with a new class of "number crunchers." Fujitsu, Ltd. hit the market last July, announcing the FACOM VP-200, which it rated at 500 million floating-point operations or calculations a second (flops), or five times faster than the seven-year-old Cray-1 and 2.5 times faster than CDC's Cyber-205, first shipped in 1981. Only two months later, rival Hitachi, Ltd. upped the ante with the S-810/20, said to perform 630 million calculations per second, but its claim to a world record was broken this past April when NEC Corp. unveiled the 1.3-billion-flops SX-2.

These announcements alone were enough to arouse concern about continued U.S. supremacy in supercomputers. Far more troubling to American computer scientists is a government-backed project now underway in Japan to develop a computer by 1990 that could perform a maximum of 10 billion calculations a second as well as provide large-